SASKATCHEWAN

Annual Report on Operations For the Year Ended March 31, 2003

Office of the Provincial Auditor

103-05489/

Annual Report on Operations
For the Year Ended
March 31, 2003

Provincial Auditor Saskatchewan

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Vision

We envision effective, open, and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.

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June 10, 2003

The Honourable P. Myron Kowalsky
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour to submit my *Annual Report on Operations For the Year Ended March 31, 2003* to be laid before the Legislative Assembly in accordance with the provisions of Section 14 of *The Provincial Auditor Act*. The information contained in this report reflects known events up to May 15, 2003.

Respectfully submitted,

Fred Wendel, CMA, CA
Provincial Auditor

/dd

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Provincial Auditor's Comments

I am pleased to present my report on the operation of my Office for the 2003 fiscal year to the Legislative Assembly. This report follows the principles as recommended by the CCAF in its document *Reporting Principles: Taking Public Performance Reporting to a New Level.*

I am proud of the Office's achievements in fulfilling its mandate to the Legislative Assembly and the people of Saskatchewan. The success of our Office depends on many people.

In each of the last eight years, legislators have supported our Office's resource requests outlined in our Business and Financial Plans. Adequate resources help to ensure our work is relevant, reliable, and cost effective. Also, the hard work, dedication, and skills of our employees make it possible to provide our assurance and advice to the Legislative Assembly and the Government. In addition, we rely on the co-operation and assistance of government officials and their appointed auditors. And finally, the careful review of our reports by legislators and the public is essential to our success.

To provide timely reporting, we present our annual report on the Government's performance to the Legislative Assembly in several volumes. The 2002 Spring Report and 2002 Fall Report – Volume 2 contain our assurance and advice to the Legislative Assembly. These reports help to improve public sector governance, management and, ultimately, program performance.

Our 2002 Fall Report – Volume 1 focuses on understanding the finances of the Government using several key financial and economic indicators. The report also provides information to allow comparisons of the Saskatchewan Government's finances to those of other provinces.

In addition to publishing these reports, I note several other accomplishments of the Office during 2003. After my appointment as Provincial Auditor in May 2002, I initiated a review of the Office's strategic plan. In November 2002, we included our

renewed strategic plan with our 2004 Business and Financial Plan. This strategic plan will guide my Office's priorities for the next four years.

In response to a request from the Standing Committee on Crown Corporations, the Information Services Corporation of Saskatchewan (ISC) published a special report related to the LAND system's financing, projected cost, and benefits. Our Office and ISC's appointed auditor provided legislators and the public with assurance on the reliability of this special report. ISC was the first government agency to publish an audited report on its planned and actual benefits.

In September 2002, Saskatchewan Health published the *Saskatchewan Comparable Health Indicators Report*. The Indicators Report provides vital information about the performance of Saskatchewan's health system. We audited the Indicators Report and provided legislators and the public with our assurance on the reliability of the report. To complete the audit, our Office collaborated with all Canadian legislative auditors. We also needed and received excellent cooperation from Saskatchewan Health. This was a significant cooperative achievement.

In November 2002, the western members of the Canadian Council of Legislative Auditors agreed to work together to achieve best practices in legislative auditing and practice management. We have begun the process by agreeing on a common method for auditing financial statements. I view this as a unique opportunity to work with my colleagues to continue to provide our services to the Assembly in a cost effective manner.

Fred Wendel, CA, CMA
Provincial Auditor

Context

Independence

The Provincial Auditor Act creates an independent Officer of the Legislative Assembly called the Provincial Auditor. The Act gives the Provincial Auditor the responsibility to audit all government agencies and report the results of the audits to the Legislative Assembly.

The Act ensures that the Provincial Auditor is independent from elected and appointed officials including the Assembly's committees and boards. The Standing Committee on Public Accounts, an all-party committee that does not include cabinet ministers, unanimously recommends the Provincial Auditor for appointment by the Legislative Assembly for a 10-year term. The Act sets the Provincial Auditor's salary and benefits. A resolution of the Legislative Assembly is required to remove the Provincial Auditor from office. The Standing Committee on Public Accounts recommends the amount of resources for the Provincial Auditor's Office. The Provincial Auditor decides which employees to hire, what audit work needs to be done, and how the work is carried out.

The Office's policies require all employees to confirm annually whether they have any relationships with the Government that could be perceived to affect their independence and objectivity. In addition, generally accepted auditing standards require that the Provincial Auditor confirm his independence and objectivity. Accordingly, Fred Wendel confirms that he is independent and objective with respect to the Government of Saskatchewan within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Saskatchewan.

Who We Serve

The Office of the Provincial Auditor helps the Legislative Assembly hold the Government accountable for how it manages public resources. Our Office examines the Government's management of public resources and reports the findings to the Assembly.

What We Do

Our Vision

We envision effective, open, and accountable government.

Our mission

We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.

Our mission shapes what we do and how we respond to key economic, political, social, and technological forces affecting those we serve.

How we carry out our mission

To fulfil our mission, we examine and provide independent assurance on the Government's management of and accountability practices for the public resources entrusted to it. We:

- Advise the Legislative Assembly about:
  - the reliability of the Government's financial information;
  - the Government's compliance with legislative authorities; and
  - the adequacy of the Government's management of public resources.
- Encourage discussion and debate about public sector management and accountability issues.
- Assist the Standing Committees on Public Accounts and Crown Corporations.
- Develop professionals for public service.
- Support and adhere to the accounting and assurance standards recommended by The Canadian Institute of Chartered Accountants.

Our reports

We report our assurance and advice to the Legislative Assembly and the Government.

At the end of each examination, we prepare a draft report of our conclusions, findings, and recommendations. We discuss the draft with senior officials of the agency and revise the draft when necessary. We issue a final report to the Minister responsible, to senior officials of the agency and, if applicable, to the chair of the board of directors. Also, we normally send a copy to the Chair and Secretary of Treasury Board, and to the Provincial Comptroller.

Also, we provide the Assembly with our conclusions (assurances) on the reliability of the financial statements and other performance reports issued by government agencies.

In addition, we report directly to the Assembly each year. These reports contain the matters that we think are significant to the Assembly and the public. We decide what matters to report in the context of the following questions:

- Does the matter affect the Assembly's ability to control the financial activities of the Government?
- Does the matter affect the Assembly's ability to hold the Government accountable for how it administers public money?
- Does the matter involve improving how the Government administers public money?
- Does the matter involve non-compliance with legislative authorities?

We assess these questions of what to report in the context of specific government sectors, programs, and agencies and in the context of the whole Government.

When an agency's financial statements, compliance with authorities, and processes to safeguard assets are satisfactory, we also report that information to the Government and the Legislative Assembly.

Outcome of our work and reports

Exhibit 1 on page 7 shows the outcomes of our work.

For our parliamentary system of government to work properly, the system must have the public's confidence. To merit this confidence, the Government's programs must be effective. Also, the Government must be open and accountable to the public.

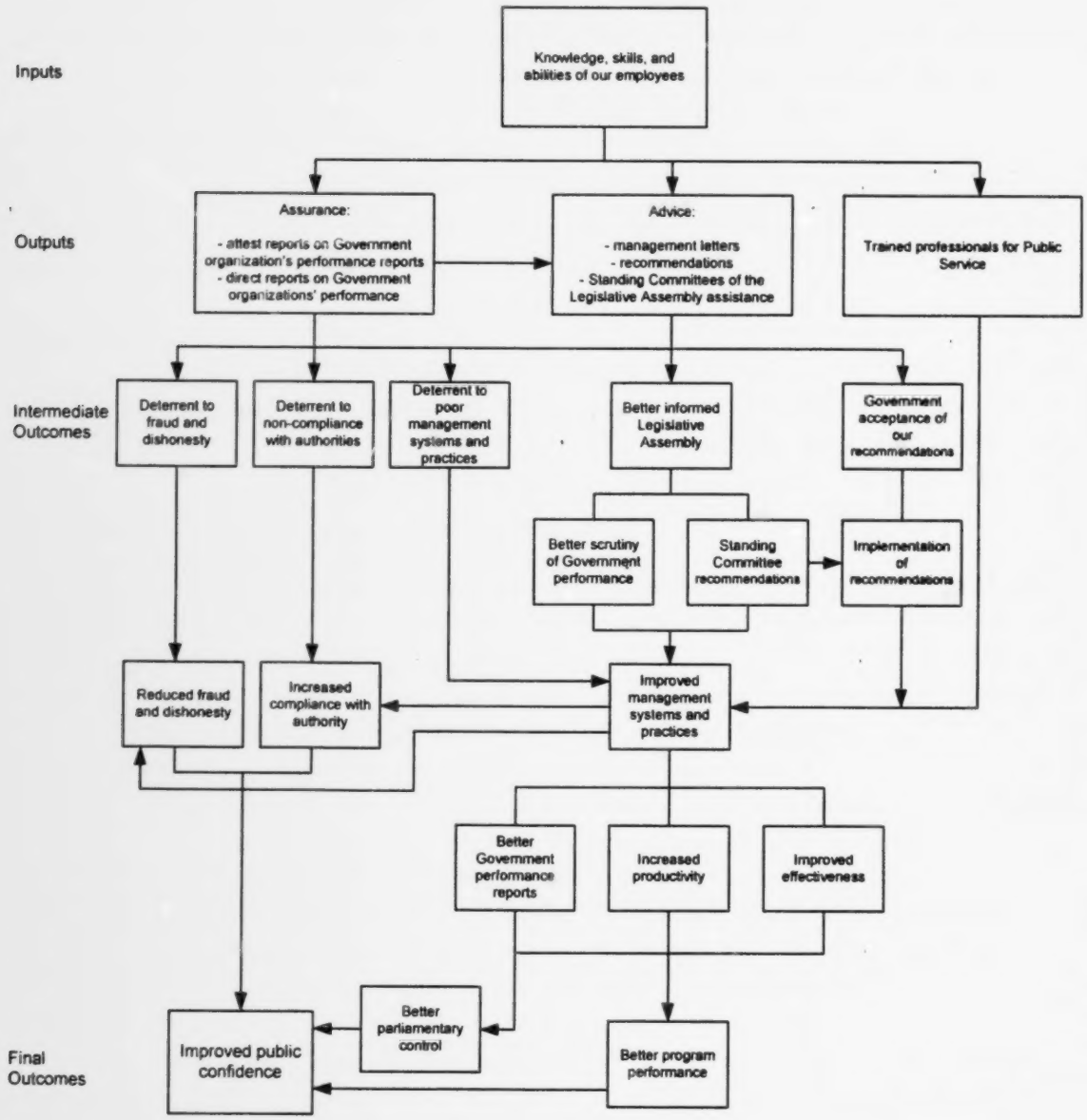
Our work and reports directly affect public confidence in the Government. They provide the public with confidence that the Government's financial and other reports are reliable, the Government uses adequate processes to safeguard public resources, and the Government has complied with governing authorities.

One important responsibility of the Legislative Assembly is to hold the Government accountable for the management of public resources. By providing relevant, reliable, and timely reports, we help the Assembly to carry out this responsibility.

Our work and reports call for public accountability for government operations and sound management. They contribute to informed decision making in government and business-like processes. In turn, this helps the Government carry out its responsibility to use sound management practices.

What We Do and the Impact of Our Work

Exhibit 1



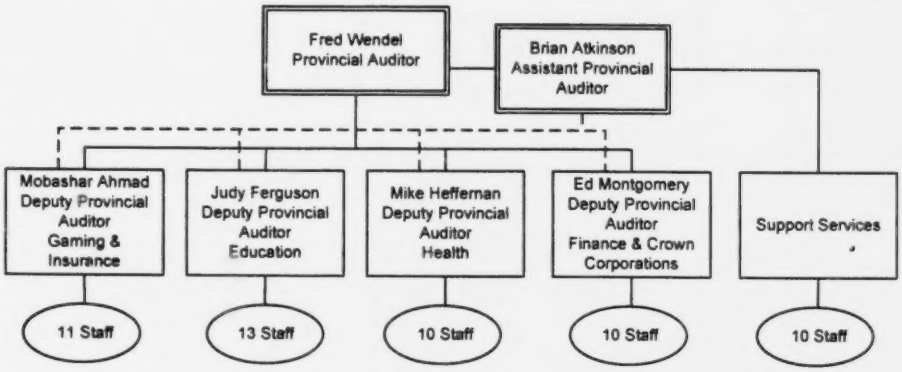
Our competencies

Our knowledge, skills, and abilities also affect what we do for the public, the Legislative Assembly, and the Government. We apply the following competencies and experience to our work and reports:

- objectivity, because of our full independence from the Executive Government;
- thorough knowledge of the:
  - complex structure and systems the Government uses to manage public resources;
  - structure of legislative authorities governing the activities of government agencies related to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing;
  - audit of information systems; and
  - accounting and assurance standards recommended by The Canadian Institute of Chartered Accountants;
- working knowledge of the issues facing government agencies operating in diverse types of businesses including education, health, insurance, protection of people and property, pension and benefit plans, energy, telecommunications, gaming, transportation, renewable resources, human resources, construction, and financial services; and
- a business view derived from rigorous professional training that we blend with our practical knowledge of public administration.

Our Organization

Exhibit 2



As shown in Exhibit 2, we have organized our Office into five divisions. Each division has a distinct focus.

Our Gaming and Insurance Division's responsibilities include examining the Government's gaming, insurance, and pension programs. The Government's pension liabilities alone total nearly $7 billion. Pension and insurance liabilities require our staff to acquire special knowledge to understand the methods used by actuaries and the accounting practices in these industries. Gaming operations (casinos) also require our staff to acquire special knowledge to understand the unique risks in this industry.

Our Education Division's responsibilities include examining the Government's education, skills training, labour, municipal, aboriginal, and infrastructure programs. The kindergarten to grade 12 education system and the post-secondary education system (e.g., universities, SIAST, and regional colleges) spend over $1.9 billion annually. In addition, the Government has over $16 billion invested in infrastructure.

Our Health Division's responsibilities include examining the Government's health, justice, and social services programs. Total public spending on health for the year ended March 31, 2002 was $2.5 billion. In addition, the Division coordinates our work to encourage the Government's efforts in moving to a public accountability system focussed on results.

Our Finance and Crown Corporations Division's responsibilities include examining the Government's programs carried out through the Department of Finance and the Crown Investments Corporation of Saskatchewan. Those programs are complex and affect almost all aspects of the Government. The Division is also responsible for our government-wide information technology audits.

Our Support Services Division's responsibilities include administration, human resources, research, methodology, training, secretarial, clerical, and information technology.

At March 31, 2003, our Office employed 60 people. Twenty-seven of our employees are professional accountants. Eighteen are training to become professional accountants.

We have the services of a health professional, a lawyer, and a librarian. The skills, experience, and perspectives of these professionals are

particularly valuable as we continue to examine broader and more in-depth issues.

Our employees are our most valuable resource because "what we do" depends on their knowledge and skills. Creating and maintaining an environment that encourages and rewards ongoing learning is crucial to our success.

What We Planned to Do

Our goals and objectives

Exhibit 3 sets out our goals, objectives, and strategies for the years ending March 31, 2001 to 2003. The exhibit also sets out the performance indicators we use to measure our success in achieving our goals and objectives and our performance targets for those indicators.

Exhibit 3

Goals, Objectives, Strategies, and our Indicators of Success for Years Ending March 31, 2001 to 2003

Goal 1: Foster Well-Managed Government

Objectives		Strategies	
a)	The Government uses a sound public accountability framework.	i)	Assess the Government's public accountability framework.
		ii)	Encourage the Government to use a sound public accountability framework.
b)	The Government uses adequate processes to plan and to achieve planned results.	i)	Evaluate the Government's processes to plan including its risk identification.
		ii)	Evaluate the Government's processes to achieve planned results including its risk management.
c)	Our stakeholders receive our assurance and advice on the Government's public accountability framework, and the processes it uses to plan and to achieve planned results.	i)	Provide timely assurance and advice to our stakeholders.

Indicators of Success:

- The Government acts on 80% of our recommendations that are more than one year old that do not invoive major changes.
- The Government acts on 80% of our recommendations that are more than five years old that involve major changes.
- The Public Accounts Committee accepts 90% of our recommendations that it considers.

Goal 2: Encourage Good Reporting by Government

Objectives		Strategies	
a)	The Government publicly reports its plans based on a sound public accountability framework.	i)	Encourage the Government to publicly report its plans.
		ii)	Examine whether the Government's public planning reports include all essential elements.
b)	The Government publicly reports the extent to which it has achieved its planned results.	i)	Encourage the Government to publicly report the extent to which it has achieved its planned results.
		ii)	Examine whether the Government's public performance reports include all essential elements.
		iii)	Encourage the Government to prepare financial statements for its departments.
		iv)	Examine whether the Government's financial statements are reliable.
		v)	Examine the reliability of key operational performance information included in the Government's performance reports.
c)	Our stakeholders receive our assurance on the Government's key public planning and performance reports.	i)	Provide timely assurance and advice to our stakeholders.

Indicators of Success:

- By 2002, 50% of significant government agencies make public their plans.
- In 2002, the Government-as-a-whole publicly reports its plans for the 2002-03 fiscal year.
- By 2002, 50% of all Departments include departmental financial statements in their annual performance reports.
- By 2003, 50% of significant government agencies' performance reports we examine set out information on their key risks and how they manage those risks.

Goal 3: Manage Our Business Effectively

Objectives		Strategies	
a)	Our stakeholders know and value what we do.	i)	Seek and monitor the views of our stakeholders on our plans and performance.
		ii)	Identify and monitor the risks faced by our stakeholders.
		iii)	Adjust our work, priorities and resource allocation to respond to our understanding of the risks faced by our stakeholders.
		iv)	Obtain the resources and competencies necessary to respond to the risks faced by our stakeholders.
		v)	Communicate in a clear, accessible and timely manner.
		vi)	Maintain our independence.
b)	We are leaders in key areas of our profession.	i)	Define the unique characteristics of the profession of legislative auditing.
		ii)	Set out the areas of our profession for which we maintain leadership expertise.
		iii)	Set out the subject matters for which we maintain in-depth knowledge.
		iv)	Maintain access to the necessary competencies.
		v)	Encourage government officials, other public-sector officials, and professional colleagues to seek our advice and training programs and to seek experience with our Office.
c)	We continuously improve our work.	i)	Incorporate the CICA's Criteria of Control into our methodology.
		ii)	Maintain current and effective methodology.
		iii)	Ensure we have qualified professional staff with access to the right competencies.
		iv)	Strengthen the way our working environment embraces our values.

Objectives	Strategies
	v) Strengthen and simplify our management information system. vi) Strengthen and simplify our administrative practices. v) Strengthen how we plan, assess and report our performance.

Indicators of Success:

- Our work is relevant (see Indicators of Success for Goal 1).
- Our work is completed by established deadlines and within the planned costs set out in our Business and Financial Plan.
- Our staff resources are used as set out in our Business and Financial Plan.
- Our stakeholder surveys indicate a positive trend in satisfaction with our work.
- Our corporate culture surveys indicate a positive trend in our working environment.
- The Institute of Chartered Accountants of Saskatchewan reports our work meets professional standards.
- Our Professional Accounting Program pass rates exceed the provincial average each year.
- The Assembly receives our Business and Financial Plan and our Annual Report on Operations each year.
- The Assembly receives a Fall and Spring Report each year.
- Our auditor reports publicly and positively on our performance (e.g., our financial statements, our compliance with *The Provincial Auditor Act* and the adequacy of our system of internal control).

Our guiding principles

Our Office is committed to earning the respect and confidence of legislators, the public, government officials, and our professional colleagues. Our guiding principles help us meet this objective. The following principles guide us:

Accountability – We actively take responsibility for achieving positive results and explaining our actions.

Balance – We support the balance between work, home, and community responsibilities.

Independence – We maintain objectivity in all our work.

Innovation – We seek better ways to achieve results by fostering continuous learning.

Integrity – We work in a professional, honest, courteous, and equitable manner.

Leadership – We support strong leadership and teamwork with clear and open communication.

Factors affecting our work plan

Annually, we prepare a detailed work plan and provide that plan to the Assembly. The work plan reflects our goals, guiding principles, and several other key factors.

Our work plans ensure we fulfill our legislative responsibilities under *The Provincial Auditor Act*. The Act sets out the agencies we must examine.

We prepare our work plan in September for the next fiscal year. When we prepare the plan, it reflects known information about:

- the amount of government revenue and spending;
- the number of government agencies;
- the quality of the Government's records, systems, and practices;
- the Government's use of appointed auditors;

- professional standards;
- the co-operation we expect to receive from government officials and appointed auditors when we do our work; and
- the public's expectations.

Forces and trends affecting our work plan

Forces and trends also affect our work plans. Five major forces and trends affect our stakeholders (i.e., legislators, the public, and government officials). They also shape our work.

Advancing technology – making possible new ways of communicating and providing services, quicker and often at less cost, but requiring attention to security and loss of privacy.

Changing demographics – a growing Aboriginal population, an aging population, and the depopulation of rural Saskatchewan.

Economic constraints – increasing demand for government services and continued demand for lower taxes.

Globalization – an increasingly integrated and interdependent world with strong international competition.

Pressure on the environment – the sustainability of our environment balanced with the need for economic activity.

These forces and trends have increased the public's expectations. For example, current technology gives the public more accessible information and knowledge about services and taxes in other jurisdictions. Changes in demographics will result in increased demands for services (e.g., health care). The Government's ability to manage scarce public resources and meet the public's increased expectations, impacts public attitude.

In Saskatchewan, these forces and trends are straining public resources. These forces cause stakeholders to re-examine the role of the Government, that is, how it organizes and delivers programs and services, and how it ensures adequate participation in decision making.

Our focus

We plan to focus our efforts on helping legislators, government officials, and the public address the challenges emerging from these forces and trends. In particular, we will encourage the Government to:

- report on how it manages the risks related to advancing technology, changing demographics, economic constraints, globalization, and pressure on the environment;
- report on how it manages the risks related to the public's valuable infrastructure for effective service delivery including information technology;
- strengthen its management of and accountability for intergovernmental and interagency programs;
- improve the quality of information provided to legislators on the plans and results (financial and non-financial) of the overall Government and each of its agencies including Crown corporations; and
- use sound human resource plans to support an effective public sector work force.

Risk Management

Our key risks

Sound risk management is essential for us to help the Legislative Assembly hold the Government accountable for its management of public resources. To manage risk, we must identify, assess, and reduce to an acceptable level the possible adverse consequences that the Office may experience from events or circumstances.

We routinely identify and assess our risks. We have established processes to reduce the likelihood that our risks will have adverse consequences on our ability to carry out our responsibilities under *The Provincial Auditor Act*. We accept some risk because it is not cost effective to eliminate all risks. The following are our key risks.

Our stakeholders do not support our goals and objectives. For the Office to remain viable, our stakeholders should support our goals and

objectives. Pursuing our goals and objectives must result in relevant assurance (conclusions) and advice for legislators, the public, and government officials. As discussed more fully in the risks that follow, we have established processes so that we set goals and objectives that will result in relevant assurance and advice for our stakeholders.

The Government does not act on our recommendations. Doing independent, reliable, and relevant work at a reasonable cost is vital to our Office's success. These attributes are also essential for our stakeholders to value our advice. We must understand the challenges that the Government faces. Also, our advice must help improve program performance. In the risks that follow, we set out the processes that we use so that our assurance and advice is independent, relevant, reliable, and cost effective.

We do not adequately understand or respond to the challenges and risks faced by our stakeholders. If our assurance and advice is to be reliable, we must understand the challenges and risks faced by the Government. How the Government manages its risks affects the nature and extent of work we must do to report to the Assembly.

We must also understand the challenges and risks faced by legislators and the public if our assurance and advice is to be relevant. To be relevant, our assurance and advice should result in better parliamentary control over government activities and better program performance.

In Exhibit 3, on pages 11 to 14, we set out the goals, objectives, and strategies that enable us to understand the challenges and risks faced by the Government, legislators, and the public.

The Standing Committees on Public Accounts and Crown Corporations are unable to fulfill their responsibilities. Our Office must provide assurance and advice that is consistent with their objectives.

The Standing Committee on Public Accounts is the audit committee for the Legislative Assembly. The Committee is a key agent of change for improving the Government's management of public resources. The Committee's mandate is to help the Assembly hold the Government accountable for its spending of taxpayers' money and for its stewardship over public assets. The Committee reviews, examines, and evaluates the

activities of government departments and Crown agencies. The Committee works with the Provincial Auditor to carry out the Committee's mandate.

The Standing Committee on Crown Corporations also has an important role in helping the Legislative Assembly hold the Government accountable for its management of public assets. The Committee focuses its review on agencies that generate revenues from sources other than the General Revenue Fund. It inquires about issues of current concern, future objectives, and past performance. Beginning in 2001, the Assembly referred the parts of the Provincial Auditor's reports that relate to the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiaries to the Committee for review. During those reviews, the Committee works with the Provincial Auditor to carry out the Committee's mandate.

Our Office must provide independent, relevant, and reliable information that is consistent with the Committees' objectives. To do this, our Office works closely with the Committees. Also, the Office provides the Assembly with an annual business and financial plan and an annual report on operations. The Standing Committee on Public Accounts reviews and provides its advice on these reports.

We lose or stakeholders perceive that we have lost our independence. *The Provincial Auditor Act* makes our Office responsible to examine all public money managed by the Government (e.g., departments, boards, corporations) and the Legislative Assembly (e.g., Board of Internal Economy).

The Act makes our Office independent of appointed and elected officials so that we can administer the Act without fear of reprisal.

The Act defines the agencies that the Office must examine. The Office decides what work needs to be done and how the work is carried out for the proper administration of the Act.

We carefully guard our independence and report to the Assembly when we are concerned about our independence. Also, the Office has processes to maintain objectivity and independence in our work for the Legislative Assembly.

We provide inappropriate or incorrect assurance and advice. Stakeholders must trust and value our assurance (conclusions) and advice. Gaining and keeping their trust is essential to the viability of the Office. In Exhibit 3, on pages 11 to 14, we set out our goals, objectives, and strategies to ensure that our assurance and advice are reliable.

Also, in the next section (why systems and practices are important), we describe our quality control systems and practices to ensure that our work is reliable. Those systems and practices reduce our risk to an acceptable level. However, we recognize systems and practices sometimes fail because of factors such as procedural failures and human error.

We do not have the required competencies and resources. The quality of our work is dependent on the knowledge, skills, and abilities of our employees. We have training programs to ensure that our employees have the special competencies we discuss on page 8.

To discharge our statutory responsibilities, we need sufficient resources to employ the required competent people. We also need sufficient resources to equip, support, and house our employees. We need the support of legislators to obtain the required resources. To obtain this support, we have established controls to ensure that our work is relevant to legislators and reliable. Also, we make public a comprehensive business and financial plan annually to build legislators' support for our request for resources. When we do not have sufficient resources to pay for the cost of our work force, we reduce the number of our employees. When this happens, we do not do all the work the law requires us to do and we advise our stakeholders.

We do not manage our resources effectively. Our management practices must promote the effective use of our resources. We have established systems and practices to keep this risk at a minimum. These processes include such things as setting direction, setting performance targets, monitoring our guiding principles, training staff, segregating duties, maintaining procedural manuals, delegating authority, processing transactions, reporting and monitoring results.

Why systems and practices are important

Strong systems and practices ensure we have appropriate controls to manage the risks that might prevent our Office from achieving our goals

including sound financial management. The following briefly describes those systems and practices.

Systems and practices for achieving Goals 1 and 2

For the risks associated with Goal 1 (foster well-managed government) and Goal 2 (encourage good reporting by government) set out on pages 11 and 12, we need systems and practices to ensure the quality of our work; identify and report opportunities for improving government agencies' performance reports and their management systems and practices; and ensure that our work covers all government agencies.

Quality

The following systems and practices affect the quality of our assurances (conclusions) and advice.

We use standard methods for carrying out our work and continually change the methods to reflect best practice. The methods cover how we plan, execute, supervise, and report our work. We monitor all our work to know that it meets our standard methods. In addition, we have procedures for working with other auditors who audit government agencies.

We have hiring and training policies to help staff have the knowledge, skills, and abilities necessary to do their work. These policies also help us broaden staff skills in key sectors (e.g., health, education, and social services), information technology, and general management.

We maintain our objectivity and independence in all our work. We routinely make inquiries of our staff to know that they comply with our objectivity and independence standards. In addition, the Office surveys staff to ensure that we use our guiding principles in all decisions and actions.

Relevant work

The following systems and practices help us encourage the Government to improve its performance information and its processes to achieve intended results (management).

Our Office publishes its strategic plan that includes its goals, objectives, and strategies. The strategic plan is the foundation for our annual business and financial plans. Our processes require us to review the internal and external environment to assess whether changes are required. This helps our Office direct its efforts towards relevant issues.

Our personnel policies ensure that our employees align their activities with our goals and objectives. Each employee's annual work plan shows how the employee will contribute to achieving our goals and objectives. We continually monitor our employees' work plans.

We have established standards that require us to report to agencies in writing our conclusions, findings, and recommendations after each examination. Those standards also require us to meet with agencies to discuss the findings and gain support for our recommendations. In addition, we monitor management's satisfaction with our work. We also continuously seek advice from stakeholders when we work with appointed auditors.

Scope of our work

The following practices ensure that our work covers all government agencies.

The Legislative Assembly, Cabinet, and existing government agencies create or windup other government agencies. We monitor the actions of these parties and continually change our list of government agencies.

We prepare an annual work plan for the Office that covers all government agencies. We use a risk-based model to focus our work. We estimate the costs of carrying out the plan and ask the Assembly for the money to carry out the plan.

Systems and practices for achieving Goal 3

For Goal 3 (manage our business effectively) set out on pages 13 and 14, we need systems and practices to ensure that our stakeholders understand and value our work. We also need processes to ensure that our work is relevant, reliable, timely, and done at a reasonable cost. These processes help us improve our performance.

Stakeholders understand and value our work

The following processes help us communicate to our stakeholders who we are, our plans, and the results of our work.

We have processes to prepare reliable plans and performance reports. These documents convey vital information about our Office. We also have processes to make these documents accessible to legislators, the public, and government officials. In addition, we seek and monitor the views of our stakeholders on our plans and performance.

We have processes to report our assurance and advice to the Legislative Assembly and our other stakeholders in a clear, accessible, and timely manner. We monitor legislators' and the Government's acceptance of our recommendations. We also monitor the use of our reports by legislators, legislative committees and the media.

Quality at reasonable cost

The following systems and practices affect the quality and cost of our services.

For Goals 1 and 2, we established systems and practices to ensure the quality and relevance of our work. These processes include identifying best practices. We continually compare the way we do our work with private sector auditors and other legislative auditors.

We have established systems and practices for the sound financial management of our assets. Our auditor reports publicly that our management systems and practices are adequate.

We have established processes so that we report our work by established deadlines and within the planned costs set out in our business and financial plan. We forecast the cost of each audit and monitor the actual cost. We compare planned to actual costs, and we explain and act on differences. We also routinely compare our costs with private sector auditors' costs to audit government agencies.

We plan the use of our employees' time and monitor our employees' actual use of time. We compare planned to actual results, and we explain and act on differences.

Also, because the quality and cost of our work is directly related to our employees, we monitor our employees' views of our working environment.

Performance

What We Have Done

Background for measuring our performance

We have three basic outputs (services). See Exhibit 1 on page 7. These are assurance (audit reports), advice (recommendations), and trained professionals for public service. Generally, our advice is a by-product of our assurance work. We deliver our services in several ways.

We provide assurance and advice to government officials. We provide assurance by way of reports on the reliability of financial statements, compliance with authorities, and the adequacy of management systems and practices. We provide advice and assurance by way of letters to management setting out our conclusions, findings, and recommendations for improvement.

We also provide assurance and advice to the Legislative Assembly and the public in our reports to the Assembly. These reports summarize our work at government agencies. The reports provide assurance and advice on the whole Government, sectors of the Government, and on each government agency's financial statements, its compliance with authorities, and the adequacy of its management systems and practices.

As shown in Exhibit 1 (page 7), our assurance and advice result in two final outcomes. These outcomes are improved public confidence in government and improved performance in the delivery of government programs. We think the Government can gain improved public confidence by improving its performance reports (i.e., business and financial plans and annual reports). We also think the Government can improve the delivery of its programs by acting on our recommendations.

Our trained professionals leave our Office to work in the public service. They contribute to improved management systems and practices in those agencies. During the year ended March 31, 2003, two of the three employees who left the Office continue to work in public service positions.

Our major input cost to produce our products is salaries and benefits. Salaries and benefits account for nearly 75% of our spending. We carefully monitor the use of staff time.

Reporting publicly on our performance

Our performance targets are to provide the Assembly with our business and financial plans and our annual reports on operations.

During the year, we provided the Assembly with our *Annual Report on Operations for the year ended March 31, 2002* and our *Business and Financial Plan for the year ending March 31, 2004.*

Measuring our performance

We measure our success in achieving our goals and objectives by monitoring our performance targets for each of our performance indicators. Our 2003 *Business and Financial Plan* sets out our performance indicators and performance targets for our goals and objectives.

The following discussion and exhibits provide a report card on our performance. We set out our actual and target performance by goal for each of our performance indicators.

Goal 1: Foster well-managed government

We measure our success in fostering well-managed government based on the Government's and the Assembly's acceptance of our recommendations.

Government's acceptance of our recommendations

We group our recommendations to the Legislative Assembly for improving the Government's performance reports and the Government's delivery of its programs into two types. Type 1 recommendations are easier to carry out. We expect that the Government will act on 80% of Type 1 recommendations that are more than one year old.

Type 2 recommendations are more difficult to carry out. We expect that the Government will act on 80% of Type 2 recommendations that are more than five years old.

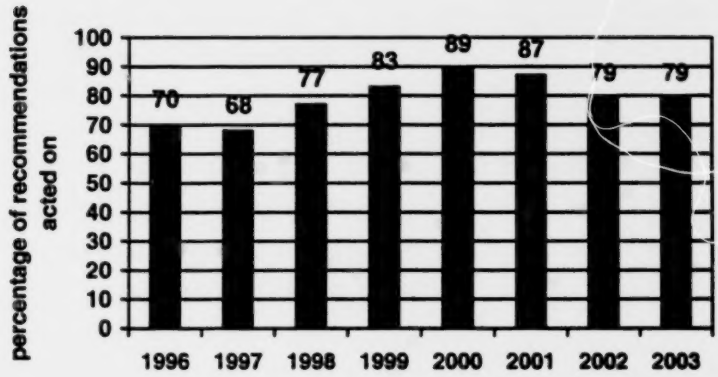
We track our Type 1 recommendations over a five-year period. From April 1998 to March 2003, we made 179 Type 1 recommendations. Of those recommendations, 40 are less than one year old.

For 2003, Exhibit 4 shows that the Government acted on 79% of the Type 1 recommendations that are more than one year old. In 2003, we did not achieve our target that the Government acts on 80% of our Type 1 recommendations that are more than one year old.

Of the 29 Type 1 recommendations that are more than one year old and not yet acted on, almost half of the recommendations relate to three agencies; Saskatchewan Indian Gaming Authority, Uranium City Hospital and First Nations Fund. The Government did not act on these recommendations as quickly as we expected.

Exhibit 4

Percentage of Total Type 1 Recommendations More Than One Year Old Acted on by the Government



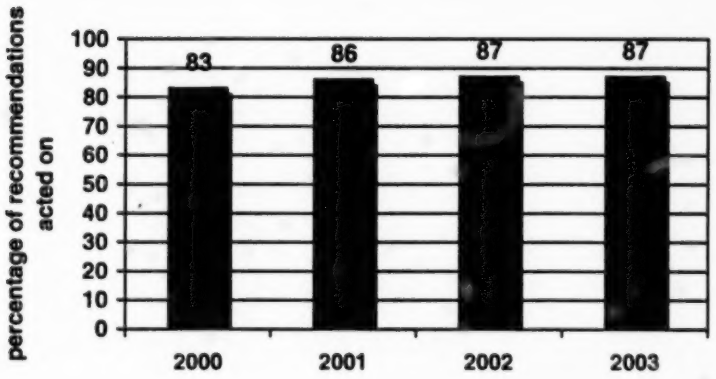
We track our Type 2 recommendations over a ten-year period. From April 1994 to March 2003, we made 247 Type 2 recommendations. Of those recommendations, 115 are less than five years old.

For 2003, Exhibit 5 shows that the Government acted on 87% of the Type 2 recommendations that are more than five years old. We began tracking these recommendations in April 1994. This is the fourth year that

we have data to compare to our target. We have achieved our target that the Government acts on 80% of our Type 2 recommendations that are more than five years old.

Exhibit 5

Percentage of Total Type 2 Recommendations More Than Five Years Old Acted on by the Government



Assembly's acceptance of our recommendations

The Legislative Assembly refers our reports to the Standing Committee on Public Accounts and the Standing Committee on Crown Corporations. The work of these Committees is necessary for our Office to help improve accountability and the delivery of government programs. We expect that the Committees, and thus the Assembly, will agree with 90% of our recommendations.

We track our recommendations to the Assembly for improving the Government's performance reports and the Government's delivery of its programs over a five-year period. During the five-year period ending March 31, 2003, we made 336 recommendations and the Committees reported to the Assembly on 184 of these recommendations.

The Committees have not reported to the Assembly on all our recommendations. The Committees decided not to consider 59 of the recommendations in our reports because we advised the Committees that the Government had already satisfactorily acted upon those recommendations.

The Committees met frequently during the year ended March 31, 2003. At the date of this report, the Committees have not yet completed their review of the 93 recommendations included in the following reports:

- 1999 Spring Report (one chapter outstanding);
- 2000 Fall Report – Volume 2;
- 2001 Fall Report – Volume 2 (two chapters outstanding); and
- 2002 Fall Report – Volume 2.

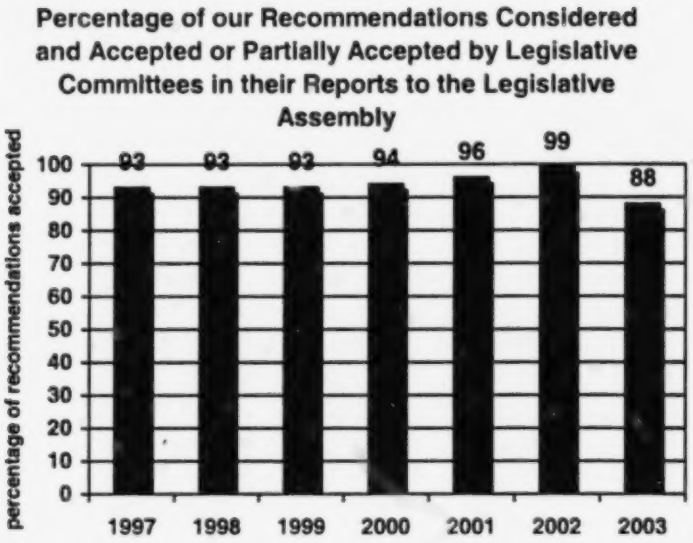
The majority of the remaining outstanding reports and chapters relate to Saskatchewan Liquor and Gaming Authority and Saskatchewan Indian and Gaming Authority. The Committees chose to defer discussion of these reports and chapters based on advice the Committees received from the Department of Justice.

We measure our success based on the Committees' acceptance of our recommendations that they consider and report on to the Assembly. Our performance target is to have the Committees accept 90% of our recommendations.

For 2003, Exhibit 6 (page 30) shows that the Committees accepted, or partially accepted, 88% of our recommendations that they have reported on to the Assembly. The exhibit shows that we have achieved our target in six of the past seven years. In 2003, we did not achieve our target that the Committees accept 90% of our recommendations.

For 2003, the Committees did not accept 22 of our recommendations. Of those, the Committees deferred their decisions on 10 recommendations mainly due to requests for further information.

Exhibit 6



Goal 2: Encourage good reporting by Government

We measure our performance based on the quality and extent of the Government's public reporting of its planned and actual results.

Planning

Because planning is the first step in a sound public accountability system, our focus for 2001-03 included an emphasis on sound public plans. We measure our success using two indicators. First, we expected that 50% of significant government agencies would make public their plans by 2002. Second, we also expected the Government to report publicly its plans for the 2003 fiscal year.

For the first indicator, we achieved our target because 59% of significant government agencies made their planned operating results public for their 2003 year end. Most agencies provided these plans in their 2002 annual reports. We congratulate the Government for taking this important step in improving its accountability to the Assembly.

The Government did not report publicly its plans for the 2003 fiscal year. As a result, we did not meet our target for the second indicator. The Government continued its practice of providing the Legislative Assembly

with a plan for the financial activities carried out through the General Revenue Fund. Significant Government activity takes place outside of that Fund. However, the Government announced it will present a summary financial plan for the entire Government as part of the 2005 budget package. We commend the Government for announcing that it will take this important step to improve accountability.

Reporting

The second step in a sound public accountability system is the reliable reporting of performance. We measure our success using two indicators. First, we expected that 50% of government departments would include financial statements in their annual performance reports by 2002. Second, we also expected that 50% of significant government agencies' performance reports would set out information on their key risks and how they manage those risks by 2003.

The 2002 department annual reports did not include financial statements. As a result, we did not meet our target for the first indicator. The Government's response is that existing Public Sector Accounting Board standards do not provide direction for the preparation of department financial statements.

We have made the following progress in encouraging the Government to prepare financial statements for its departments. Our 2000, 2001, and 2002 reports to the Assembly included examples of financial statements for the agriculture sector, health system, and environment and resource management. The reports discussed the challenges and benefits of preparing department financial statements. The reports also set out the principles for useful performance reporting. During 2003, we prepared pro-forma financial statements for Justice, Social Services, Highways, and Economic and Cooperative Development. These financial statements were provided to management and the Minister responsible for the departments. Also, the Department of Finance plans to explore the issue of departmental financial statements in 2004.

We reviewed the 2002 annual reports of significant government agencies to assess whether they included their key risks and how they managed those risks. We met our target for this indicator because 74% of significant government agencies' performance reports set out information on their key risks and how they manage those key risks.

The Government has also made progress in improving its planning and reporting in two key sectors. The Department of Finance issued guidelines for improving annual reports. The guidelines are based on the most current Canadian principles for annual reports of public agencies. The guidelines are based on a publication by CCAF. We commend the Department for using the CCAF principles. We encourage all government agencies to use these guidelines to improve their reports.

CIC and its related corporations continue to make progress with their initiative to improve their annual reports. This initiative is called the "Balanced Scorecard." The Balanced Scorecard is used to evaluate financial performance as well as the achievement of objectives in the areas of innovation and learning, customer satisfaction, and public policy. Corporations publish their performance measures, their expected results for those measures, and their actual results.

Goal 3: Manage our business effectively

We measure our success in managing our business effectively based on the relevance, quality, cost, and timely completion of our work. We also assess our working environment and our communications with our stakeholders.

The following discussion and exhibits report our actual performance compared with our planned performance.

Quality of our work

We have three indicators for measuring our success in producing quality products for the Assembly. We think that our work needs to comply with professional standards, legislative committees need to be satisfied with our advice, and government agencies need to be satisfied with our work.

The Institute of Chartered Accountants of Saskatchewan periodically inspects our Office to ensure that we comply with professional standards. We expect that the Institute will report that our work complies with professional standards. On pages 66 and 67, we include the Institute's inspection report. The report indicates that our work complies with professional standards.

To measure the Committees' satisfaction with our advice (relevance), we monitor the Committees' acceptance of our recommendations. We report on pages 28 to 30 that the Committees accepted 88% of our recommendations in its reports to the Assembly. Although this does not meet our target of 90%, we continue to think our work is relevant. The reasons we have not met our target are discussed on pages 28 to 30.

We want government agencies to be satisfied with our work. Our performance target is for survey results to show a positive trend in satisfaction with our work.

This year is the fifth year that we surveyed government agencies about their satisfaction with our work. The work was related to our examinations of agencies during our fiscal years ended March 31, 1999 to March 31, 2003.

We sent surveys to 262 agencies and we received 124 completed surveys. We asked the agencies to tell us their level of satisfaction with our work as it relates to the following four areas:

- our planned work for the agency met its needs and that we carried out our work according to the plan (responsiveness);
- our employees were knowledgeable and carried out their work professionally and courteously (professionalism);
- our reports to the agency's Minister were understandable, fair, and accurate (reports); and
- our recommendations to the agency were feasible and result in proper management of public resources and accountability (recommendations).

We asked the agencies to express their level of satisfaction. The results of the survey are summarized in Exhibit 7:

Exhibit 7

Criteria	1999	2000	2001	2002	2003
Responsiveness	satisfied	satisfied	very satisfied	very satisfied	very satisfied
Professionalism	very satisfied	very satisfied	very satisfied	very satisfied	very satisfied
Reports	very satisfied	very satisfied	very satisfied	very satisfied	very satisfied
Recommendations	satisfied	satisfied	satisfied	satisfied	very satisfied

The results indicate that agencies are satisfied with our performance. While we are pleased with the results for the 47% of agencies that returned the survey, we are concerned that we do not know the level of satisfaction for the other 53% of the agencies surveyed. We will continue to encourage agencies to return future surveys so we can use the results to help improve our performance.

Completion of our work

For completing our work, we measure our success in two ways. First, we need to produce reports in the spring and fall for the Assembly. Second, we need to complete the work that is set out in our business and financial plan by the established deadlines.

For the most part, we completed the work set out in our 2003 *Business and Financial Plan*. We completed our 2002 Spring and Fall reports to the Legislative Assembly. We also reported our audit conclusions, findings, and recommendations to each government agency where we completed our work.

We could not complete some of the work set out in our 2003 *Business and Financial Plan*. We could not complete some of the work because of delays in receiving information from some government agencies.

We continue to be concerned about the timeliness of our reports to government agencies. When our work is late, government agencies have difficulty meeting their established deadlines. Also, they do not have the benefit of our advice to make timely improvements to their management systems and practices.

During the year ended March 31, 2003, we tracked the timeliness of our reports to government agencies. The planned dates are the dates that we agreed to provide our reports to government agencies. The reports include our assurance on the financial statements of government agencies and our advice on improving the agencies' management systems and practices.

The information that we collected indicates that we provided 78% of our reports to government agencies by the agreed upon dates (2002 – 73%). As mentioned above, our survey of government agencies indicates that agencies are very satisfied with our work as it relates to responsiveness.

Although we have improved the timeliness of our reporting, we continue to focus on improving our performance in this area.

Costs of our work

Our performance indicator for the costs of our work is the planned costs set out in our 2003 *Business and Financial Plan*. Our performance target is to complete the work within the planned costs.

Pages 54 to 58 show our actual costs for examining government agencies for years ending in the period January 1, 2002 to December 31, 2002 compared with our planned costs. We had the actual cost information audited. On page 53, our auditor reported that the information is reliable.

For the most part, we completed our work within our planned costs. We explain significant differences between planned and actual costs on pages 63 and 64.

Our efficiency in the use of our resources

We have two performance indicators regarding our efficiency in using our resources. We want to show that we are finding better ways to do our work. These indicators are our request for resources from the Assembly and how we manage our largest cost – salaries.

Each year, we prepare a detailed work plan to carry out our responsibilities under *The Provincial Auditor Act* and a forecast of the cost of that plan (see pages 54 to 55). For the purpose of Exhibit 8, our request for resources is the forecast cost of our plan.

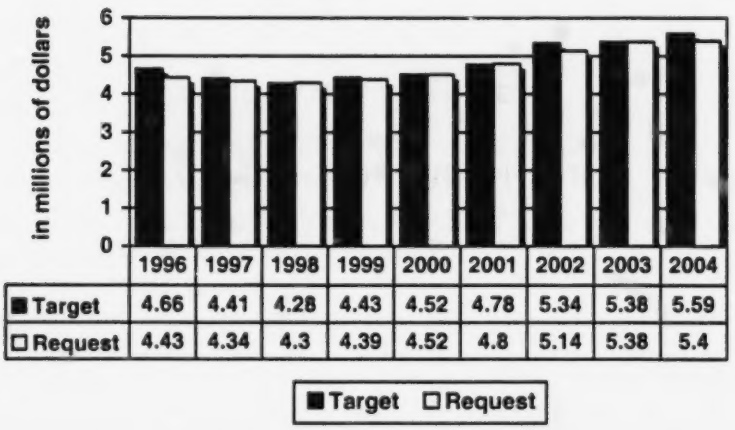
Our performance target for 1996, 1997, and 1998 was to reduce our request for resources to carry out our work by 2% each year starting with 1996. Our performance target for 1999 and 2000 was to keep our request for resources at the same amount each year and thus to absorb inflationary increases. Our performance target for 2001, 2002, 2003, and 2004 was to absorb inflationary increases except for general salary and benefit increases that the Government gives to public servants. These targets do not take into account our need for more or less money caused by increased or reduced work for our Office when the Government creates or winds up government agencies.

Each year, the Government adds new government agencies that add to our workload and winds up government agencies that reduce our workload. These changes to our workload affect our costs. Our business and financial plans provide lists of the new and wound up government agencies and their impact on our costs.

Exhibit 8 shows our targets and actual requests for resources for the last nine years. The exhibit shows our actual requests were lower than or equal to our target each year except for 1998 and 2001. In 1998 and 2001, our request was about $20,000 more than our target. In 2001, our request for resources included some market adjustments for salaries.

Exhibit 8

Target and Actual Request for Resources to carry out our work



	1996	1997	1998	1999	2000	2001	2002	2003	2004
■ Target	4.66	4.41	4.28	4.43	4.52	4.78	5.34	5.38	5.59
□ Request	4.43	4.34	4.3	4.39	4.52	4.8	5.14	5.38	5.4

Our performance target for how we manage our largest cost (salaries) is to use our employees' time according to our planned times set out in our 2003 *Business and Financial Plan*.

Pages 60 to 62 show the actual use of our employee's time compared with our planned use. The actual information for 2001, 2002, and 2003 is audited. Our auditor reported on page 59 that the information is reliable.

For the most part, during 2003 we used our employees' time as planned. On pages 64 and 65, we explain significant differences between planned and actual time.

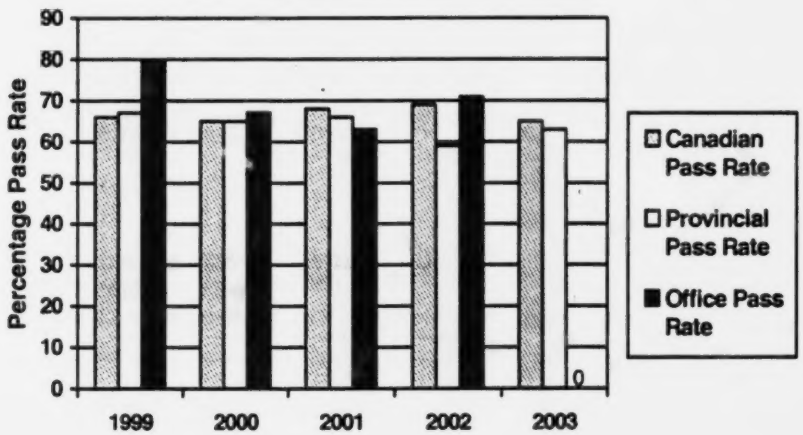
Developing trained professionals

We are a training office for people who want to become professional accountants. One of our measures of success is the number of employees who pass the uniform final examinations to become Chartered Accountants. Our performance target is to compare favourably with the provincial pass rate.

Exhibit 9 shows the percentage of our employees who passed the uniform final examinations for each of the last five years compared to the provincial and Canadian pass rate for each of the last five years.

Exhibit 9

Camparison of the Provincial Auditor's Office Pass Rate to the Provincial and Canadian Pass Rate



The exhibit shows our pass rate compares favourably with the provincial pass rate for three of the last five years.

In 2003, as a result of changes to the educational process for training chartered accountants, we did not have any new candidates for the 2002 uniform final examination. Our two students who were re-writing the exam were not successful. We expect to have five students writing the 2003 uniform final examination for the chartered accountancy designation.

Also, we train staff who want to become Certified Management Accountants (CMA) or Certified General Accountants (CGA). Although we do not have any CGA students, we expect two of our CMA students to complete their professional program in 2003.

Employees' satisfaction with their working environment

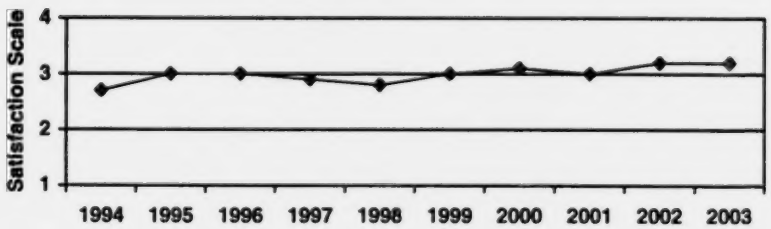
We want to ensure our employees are satisfied with their working environment. We gather information on employee satisfaction by using annual surveys. The current survey provides employees an opportunity to express their level of satisfaction with 13 key indicators of the Office's working environment.

We have done employee surveys for ten years. For 2003, 79% of staff responded to the survey (2002 - 94%). The survey results continue to indicate a positive level of satisfaction with the Office's working environment. Our current survey uses a rating scale of one through four where four is the most positive response. This year, the survey results had an average response of four for 2 of the indicators and an average response of three for 11 of the indicators.

Exhibit 10 shows the trend for the average response for all indicators. Our performance target is to have a positive trend with employees' satisfaction with their working environment. The exhibit shows employee satisfaction has remained fairly constant over the past five years.

Exhibit 10

Cumulative Average Response for all Indicators of Employee Satisfaction



Our performance in explaining to stakeholders why our work is relevant and done well

Our stakeholders need to know our work is relevant and done well. In this regard, we have several performance indicators. We need to explain to the Assembly what we plan to do and what we did.

We provide the Assembly with our business and financial plans. In the fall of 2002, we provided the Assembly with our 2004 *Business and Financial Plan.*

We explain to the Assembly what we did in three reports. This Report on operations describes our performance. Our spring and fall reports contain the results of our examinations of government agencies.

Also, the Assembly requires an audit of our Office. The auditor has the same audit responsibilities as our Office. We use the auditor's reports on our Office as a key performance indicator. Our performance target is that our auditor reports positively on the reliability of our financial statements, our compliance with *The Provincial Auditor Act*, and on the adequacy of our management systems and practices.

In this report, we provide the Assembly with our auditor's reports. On pages 44, 68, and 69 our auditor reports that our financial statements are reliable, we complied with the Act, and we had adequate management systems and practices. On page 70, our auditor reports that in addition to the other reports they have issued, there are no significant matters to report to the Assembly.

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Financial Highlights

Discussion and analysis of our financial affairs

Pages 45 to 52 contain our audited financial statements.

For 2003, we requested and received an appropriation of $5,379,000 and contingency appropriation of $348,000 from the Assembly. Our 2003 *Business and Financial Plan* includes a discussion of the amounts requested.

Total operating expenses for 2003 were approximately $426,000 more than 2002 for a total of $5,324,000. The increase relates to expenses for salaries, benefits, and rent of space. These increases were included in our 2003 *Business and Financial Plan*. Our actual expenses were $74,000 less than anticipated in our 2003 budget.

Our 2003 budget anticipated an increase in our costs for salaries and benefits because we needed the resources to examine new agencies created by the Government and to respond to salary pressures. Our budget also reflected a decrease in the costs related to contracting agent and advisory services as we planned to contract less. Our actual costs for salaries and benefits were less than our budget because we were not able to hire all the staff required. As a result, we used more contract staff. The difference in our budget and actual agent and advisory costs reflect this change.

Salaries increased by $251,000 in 2003 compared to 2002. In 2003 we had 3 more employees than in 2002 which increased our costs by approximately $182,000. The remainder of our salary expense increase resulted from providing our staff with economic adjustments equal to the 2.5% increase that the Government provided to its employees on July 1, 2002.

Employee benefits increased by $72,000 compared to 2002. The increase is due to three factors. First, there were three more employees in 2003 resulting in a benefit increase of approximately $24,000. Second, increases in WCB and CPP rates increased our costs by $34,000.Third, the employer contribution rate for pensions increased by 0.5%. This increased our benefit costs by approximately $14,000. The increase in

the pension contribution rate equals the increase the Government provided to its employees on July 1, 2002.

Rent of space and other equipment increased by $75,000 compared to 2002. The lease for our office space expired on March 31, 2002. Our new lease for the same space increased our annual rent costs by $75,000 as anticipated in our 2003 budget.

The transfer to the General Revenue Fund of $409,933 includes the return of unused appropriations and other revenue as required by *The Provincial Auditor Act*.

The cost of our work is directly influenced by the types and amount of revenue and expense of the Government, the number of government agencies, the quality of the Government's records, the cooperation that we receive, and by changing professional standards. Based on the information we knew about these factors at October 31, 2002, our request for resources from the Assembly for 2004 is $5.405 million and $0.350 million for a contingency appropriation.

The Standing Committee on Public Accounts recommends all Government agencies reporting to Treasury Board should provide a list of persons who have received money. While we do not report to Treasury Board, pages 71 and 72 show a list of persons who provided goods and services to the Office. The information in the list is similar to the information reported for government agencies included in Volume II of the Public Accounts.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements included in the Annual Report on Operations of the Provincial Auditor Saskatchewan for the year ended March 31, 2003, are the responsibility of management of the Office. Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

To ensure the relevance and reliability of the financial data, management maintains a comprehensive system of internal controls including an appropriate code of conduct, written policies and procedures, and an organizational structure that segregates duties. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, that assets are properly safeguarded, and that reliable financial records are maintained. The Office's system of internal controls and compliance with legislation have been audited by the firm of Virtus Group, Chartered Accountants and Business Advisors LLP. Their reports to the Members of the Legislative Assembly, stating the scope of their examinations and opinions on the Office's system of internal controls and compliance with the legislation, appear on pages 68 and 69.

The financial statements have been audited by the firm of Virtus Group, Chartered Accountants and Business Advisors LLP. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the financial statements, appears on page 44.

Fred Wendel, CMA, CA
Provincial Auditor

Brian Atkinson, FCA
Assistant Provincial Auditor

May 15, 2003
Regina, Saskatchewan

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

We have audited the statement of financial position of the Office of the Provincial Auditor as at March 31, 2003 and the statements of operations, change in net debt, and cash flows for the year then ended. These financial statements are the responsibility of the Office of the Provincial Auditor. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Provincial Auditor as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

May 15, 2003
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

Statement 1

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF FINANCIAL POSITION
As at March 31

	2003	2002 (Note 12)
Financial assets		
Cash and cash equivalents (Note 3)	$ 628,829	$ 696,093
Accounts receivable	20,040	28,368
	648,869	724,461
Liabilities		
Accounts payable	166,790	98,332
Accrued vacation pay	103,494	134,367
Due to the General Revenue Fund	378,585	515,603
	648,869	748,302
Net debt	---	(23,841)
Non-financial assets		
Tangible capital assets (Note 4)	129,690	142,355
Prepaid expense (Note 10)	40,328	23,841
	170,018	166,196
Accumulated surplus	$ 170,018	$ 142,355

(See accompanying notes)

Statement 2

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2003		2002
	Budget (Note 5)	Actual	Actual
Revenue			
General Revenue Fund			
- Appropriation	$ 5,379,000	$ 5,379,000	$ 5,136,000
- Contingency appropriation	348,000	348,000	---
Other (Note 6)	89,000	34,549	56,409
Total revenue	5,816,000	5,761,549	5,192,409
Expense			
Salaries	3,663,000	3,410,380	3,159,283
Administration	570,000	555,751	534,654
Employee benefits (Note 7)	509,000	484,754	413,163
Rent of space and equipment	363,000	349,745	275,003
Agent and advisory services	144,000	372,599	389,841
Training and development	149,000	150,724	126,425
Total operating expense	5,398,000	5,323,953	4,898,369
Transfer to General Revenue Fund (Note 8)	437,000	409,933	562,414
Total expense	5,835,000	5,733,886	5,460,783
Annual surplus (deficit)	$ (19,000)	27,663	(268,374)
Accumulated surplus, beginning of year		142,355	410,729
Accumulated surplus, end of year		$ 170,018	$ 142,355

(See accompanying notes)

Statement 3

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF CHANGE IN NET DEBT
For the Year Ended March 31

	2003	2002
Annual surplus (deficit)	$ 27,663	$ (268,374)
Acquisition of tangible capital assets	(76,398)	(128,529)
Amortization of tangible capital assets	89,063	101,430
	12,665	(27,099)
Acquisition of prepaid expense	(40,328)	(23,841)
Use of prepaid expense	23,841	5,777
	(16,487)	(18,064)
(Increase) decrease in net debt	23,841	(313,537)
Net financial assets (debt), beginning of year	(23,841)	289,696
Net debt, end of year	$ ---	$ (23,841)

(See accompanying notes)

Statement 4

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2003	2002
Operating transactions		
Cash received from:		
General Revenue Fund		
Appropriation	$ 5,379,000	$ 5,136,000
Contingency appropriation	348,000	---
Fees and other	69,861	151,864
	5,796,861	5,287,864
Cash paid for:		
Salaries	3,453,870	3,148,736
Supplies and other	2,333,857	1,785,196
	5,787,727	4,933,932
Cash provided by operating transactions	9,134	353,932
Capital transactions		
Cash used to acquire tangible capital assets	(76,398)	(128,529)
Cash applied to capital transactions	(76,398)	(128,529)
(Decrease) increase in cash and cash equivalents	(67,264)	225,403
Cash and cash equivalents, beginning of year	696,093	470,690
Cash and cash equivalents, end of year (Note 3)	$ 628,829	$ 696,093

(See accompanying notes)

OFFICE OF THE PROVINCIAL AUDITOR
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2003

1. General Information

The Provincial Auditor Act establishes the Office of the Provincial Auditor. The Office is part of the Legislative Branch of Government. The Office:

- examines the administration of government programs and activities carried out by government departments, health and education institutions, commissions, boards, and Crown corporations;
- reports the results of examinations to the Legislative Assembly and the public; and
- helps the Standing Committees on Public Accounts and Crown Corporations in their review of the Provincial Auditor's reports, the Public Accounts, and other reports.

2. Summary of Accounting Policies

The Office uses Canadian generally accepted accounting principles to prepare its financial statements. The following accounting principles are considered to be significant:

(a) Basis of Accounting

The financial statements are prepared using the expense basis of accounting.

(b) Revenue

The appropriation from the General Revenue Fund is recorded when receivable.

Other revenue is recognized on the basis of the percentage of work completed for those government organizations that have signed contracts to pay fees or have otherwise agreed to pay fees.

(c) Tangible Capital Assets

Tangible capital assets are reported at cost less accumulated amortization. Amortization is recorded on a straight-line basis at rates based on estimated useful lives of the tangible capital assets as follows:

Computer hardware	3 years
Computer software	3 years
Furniture (desks, file cabinets)	10 years
Other furniture	5 years
Other equipment	3 years

(d) Accrued Vacation Pay

The value of vacation entitlements earned to the year-end but not taken are recorded as a liability.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of interest-bearing money on deposit with the bank and short-term securities. Investments are carried at amortized cost which approximates market value. The interest rates range from 2.25 to 5.75%.

Cash and cash equivalents included in the cash flow statement are represented by:

	2003	2002
Cash	$ 198,859	$ 277,122
Short-term securities	429,970	418,971
Total cash and cash equivalents	$ 628,829	$ 696,093

4. Tangible Capital Assets

The recognition and measurement of tangible capital assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Office.

	2003			2002
	Hardware & Software	Furniture & Equipment	Total	Total
Opening costs of tangible capital assets	$ 464,637	$ 305,851	$ 770,488	$ 809,735
Additions during the year	61,773	14,625	76,398	128,529
Disposals during the year	132,569	72,436	205,005	167,776
Closing cost of tangible capital assets	393,841	248,040	641,881	770,488
Opening accumulated amortization	403,329	224,804	628,133	694,479
Annual amortization	71,451	17,612	89,063	101,430
Disposals	132,569	72,436	205,005	167,776
Closing accumulated amortization	342,211	169,980	512,191	628,133
Net book value of tangible capital assets	$ 51,630	$ 78,060	$ 129,690	$ 142,355

Annual amortization is included in Administration expense in the Statement of Operations.

5. Budget

These amounts represent the General Revenue Fund appropriation requested from the Standing Committee on Public Accounts to discharge the Provincial Auditor's duties under *The Provincial Auditor Act*. The Committee recommended an appropriation of $5,727,000.

The Budget is requested using an expenditure basis of accounting where non-financial assets acquired in the period are recorded as expenditures. The 2003 Budget and Actual using the expenditure basis of accounting are as follows:

	2003	
	Budget	Actual
Revenue		
General Revenue Fund:		
Appropriation	$ 5,379,000	$ 5,379,000
Contingency appropriation	348,000	348,000
Other	89,000	34,549
Total revenue	5,816,000	5,761,549
Expenditure		
Salaries	3,663,000	3,410,380
Administration	551,000	565,282
Employee benefits	509,000	495,887
Rent of space and equipment	363,000	349,745
Agent and advisory services	144,000	372,599
Training and development	149,000	157,723
Total operating expenditure	5,379,000	5,351,616
Transfer to General Revenue Fund	437,000	409,933
Total expenditure	5,816,000	5,761,549
Excess of revenue over expenditure	$ ---	$ ---

6. Other Revenue

Included in other revenue are fees of $9,500 (2002 - $22,800) charged for work that is included in the budget recommended to the Standing Committee on Public Accounts. The Office transfers these fees to the General Revenue Fund.

The Provincial Auditor Act requires that all fees charged and other revenues received by the Office be deposited to the General Revenue Fund. The transfer to the General Revenue Fund of $409,933 (2002 - $562,414) includes fees and other revenues of $34,549 (2002 - $53,308). See Note 8.

7. Pension Plan

The Office participates in a defined contribution pension plan for the benefit of its employees. The Office's financial obligation to the plan is limited to making regular payments of 5.75% of employees' salaries for current service. The Office's annual pension expense for 2003 amounted to $192,078 (2002 - $166,677).

8. Transfer to General Revenue Fund

The Provincial Auditor Act requires that all fees charged and other revenues received by the Office be deposited to the General Revenue Fund. In addition, the Act requires that any unspent appropriations be returned to the General Revenue Fund. The $409,933 transfer (2002 - $562,414) includes fees, other revenues, and the Office's unspent appropriations.

9. Financial Instruments

The Office's financial instruments include cash and investments, accounts receivable, accounts payable, accrued vacation payable, and salary payable. The carrying amount of these instruments approximates fair value due to their immediate or short-term maturity. These instruments have no significant interest rate and credit risk.

10. Change in Accounting Policy

During the year, The Canadian Institute of Chartered Accountants clarified that non-financial assets include tangible capital assets, inventories held for consumption or use, and prepaid expense. As a result, expenditures related to these items are included in the calculation of net debt. The Office has adopted this change in accounting policy prospectively.

11. Commitments

During the year ended March 31, 2002, the Office and its landlord made a new lease whereby the Office agreed to rent the premises for a ten years commencing April 1, 2002. Annual lease payments total $329,678, before escalation adjustments.

The Office is also committed to make future annual payments for operating leases and professional service contracts of:

Year ending March 31	Amount
2004	$123,743
2005	$ 35,826
2006	$ 14,752
2007	$ 1,773

12. Change in Classification

Prepaid expense has been reclassified to conform to the current year's presentation.

Supporting Schedules and Reports

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

We have audited the Schedule of Actual Costs to Audit Government Agencies for the period as described in note 1, which is prepared in accordance with accounting principles as set out in the notes to the schedule of financial information. This schedule of financial information is the responsibility of the Office of the Provincial Auditor. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, this schedule presents fairly, in all material respects, the actual costs to audit government agencies for the period as described in note 1 in accordance with the accounting principles set out in the notes to the schedule of financial information.

May 15, 2003
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

Office of the Provincial Auditor
Schedule of Actual Costs to Audit Government Agencies

Government Agency	2003 Planned Costs (Note 5)	2003 Actual Costs		2004 Planned Costs (Note 5)
Department of Agriculture and Food	$292,714	$259,652 *		$278,543
Department of Corrections and Public Safety	---	---		29,425
Department of Culture, Youth and Recreation	14,775	19,556		120,771
Department of Economic and Co-operative Development	61,686	47,423		---
Department of Education	171,770	159,727		---
Department of Energy and Mines	78,760	88,110 *		---
Department of Environment	150,625	149,251		175,011
Department of Finance	618,710	562,165 *	(1)	661,120
Department of Government Relations and Aboriginal Affairs	---	---		118,291
Department of Health	624,508	565,593 *	(2)	583,683
Department of Highways and Transportation	125,124	103,346		157,713
Department of Industry and Resources	---	---		65,940
Department of Intergovernmental and Aboriginal Affairs	16,348	20,904		---
Department of Justice	189,089	184,377 *		168,500
Department of Labour	51,549	44,994		64,933
Department of Learning	---	---		675,769
Department of Municipal Affairs and Housing	223,463	189,492 *		---
Department of Post-Secondary Education and Skills Training	576,051	490,765 *	(3)	---
Department of Social Services	174,107	178,144 *		254,389
Executive Council	18,007	17,748		18,459
Legislative Assembly	47,358	45,456		45,226
Public Service Commission	7,976	6,969		9,452
Rural Revitalization Office	7,840	6,654		---
Women's Secretariat	3,550	4,314		---
Crown Investments Corporation of Saskatchewan	70,696	56,037 *		92,137
Information Services Corporation of Saskatchewan	6,656	81,256	(4)	46,852
Municipal Financing Corporation of Saskatchewan	2,240	2,085		2,290
Saskatchewan Development Fund Corporation	6,338	3,864		6,486
Saskatchewan Gaming Corporation	70,887	70,115 *		118,619
Saskatchewan Government Growth Fund Management Corporation	19,298	17,962 *		19,674
Saskatchewan Government Insurance Corporation	98,320	48,008 *	(5)	116,593
Saskatchewan Liquor and Gaming Authority	315,885	300,780 *		245,080
Saskatchewan Municipal Board	3,320	2,144		3,420
Saskatchewan Opportunities Corporation	12,080	9,411		6,133
Saskatchewan Power Corporation	95,440	142,652 *	(6)	96,228
Saskatchewan Property Management Corporation	12,412	13,781		12,652
Saskatchewan Research Council	70,571	55,339		72,745

(see accompanying notes)

Office of the Provincial Auditor
Schedule of Actual Costs to Audit Government Agencies
(continued)

Government Agency	2003 Planned Costs (Note 5)	2003 Actual Costs		2004 Planned Costs (Note 5)
Saskatchewan Safety Council	$ 14,025	$ 13,284		$ 16,520
Saskatchewan Telecommunications Holding Corporation	56,216	54,229		95,002
Saskatchewan Transportation Company	11,711	6,597		8,550
Saskatchewan Water Corporation	17,684	17,223		14,979
SaskEnergy Incorporated	22,704	38,833 *		82,412
Workers' Compensation Board	53,085	26,302 *		82,360
Government-Wide, Sectoral, and Special Issue Work	519,951	423,069 *	(7)	390,033
Legislative Committees and Public Reports	445,471	487,260	(8)	448,725
TOTAL	$5,379,000	$5,014,871		$5,404,715

* These audits are not fully complete at March 31, 2003. We expect it would cost another $521,000 to complete all of our work.

(see accompanying notes)

In Part I of our discussion and analysis, on pages 63 and 64, we discuss footnotes (1) to (8).

Office of the Provincial Auditor
Notes to the Schedule of Actual Costs to Audit Government Agencies

1. Purpose

This schedule shows the Office's actual costs, up to March 31, 2003, of auditing the various agencies of the Government for their years ending in the period January 1, 2002 to December 31, 2002 compared to the planned costs for that period. The schedule also shows the planned costs for auditing the various agencies of the Government for their years ending in the period January 1, 2003 to December 31, 2003.

2. Definitions

The following definitions are provided to help understand our cost allocation policies.

Total Costs - This is the total operating expenditure reported in our audited financial statements (see page 51).

Audit hour - This is the time employees spend on the audits set out in the detailed work plans in our Business and Financial Plans.

Cost-per-hour - This is the hourly rate for an audit hour for each employee as set by the Office. (See Note 3.)

Direct costs - These are costs other than salaries that are directly related to specific audits (e.g. employees' travel costs).

Actual costs - These costs are determined by multiplying employees' audit hours times employees' costs-per-hour and adding to that result direct costs.

Average cost-per-audit hour - This is the total costs for the year less direct costs divided by the total audit hours for all employees for the year.

3. Cost Allocation Policies

The Office allocates its total costs each year to the audits carried out during the year. Direct costs are charged directly to the relevant audit. For all other costs, the Office uses reported audit hours set out in employee time sheets as the basis of allocation.

The cost-per-hour is based on the employee's pay and benefits and a portion of other costs (rent, office administration and support services) allocated based on the office's

expected time on audit activities. The cost-per-hour is adjusted periodically to reflect changing employee and office-wide circumstances.

The reported actual costs for each audit in the Schedule is determined by multiplying employees' audit hours for the relevant audit times the employees' costs-per-hour and adding to that result direct costs for that audit.

4. Additional Information

The Office's actual average cost-per-hour for 2003 is $79.91 (2002 - $77.41).

The Office's total actual direct costs for 2003 are $334,805 (2002 - $383,304).

The footnotes in the Schedule reference to the Management Discussion and Analysis on pages 63 and 64. That information is unaudited.

Government agencies have various fiscal year ends (e.g., March 31, June 30, December 31). Due to the nature of auditing, some audit activity occurs before the government agencies' fiscal year ends; while other audit activity occurs after their year ends. As a result, employees' audit activities during our fiscal year relate to more than one fiscal year of a government agency.

Table 1 shows the actual costs of the audit activity we carried out during 2003 by the relevant fiscal year-ends of government agencies. Table 2 shows the years we incurred the costs to audit government agencies for years ending in the period January 1, 2002 to December 31, 2002.

Table 1
Total Costs for 2003
Allocated to Relevant Fiscal Year-ends of Government Agencies

Relevant Fiscal Year-ends	Costs Allocated
January 1, 2003 to December 31, 2003	$1,253,784
January 1, 2002 to December 31, 2002	3,862,506
July 1, 2001 to December 31, 2001	165,041
July 1, 2000 to June 30, 2001	66,599
July 1, 1999 to June 30, 2000	3,686
Total Costs	$5,351,616

Table 2
Actual Costs to Audit Government Agencies
for Their Years Ending in the Period January 1, 2002 to December 31, 2002
by the Year We Incurred the Costs

Year We Incurred Costs	Actual Costs
April 1, 2002 to March 31, 2003	$3,862,506
April 1, 2001 to March 31, 2002	1,152,365
Total Actual Costs Incurred	$5,014,871

5. Planned Costs

The planned costs set out in the Schedule are those presented to the Standing Committee on Public Accounts in the Office's 2003 Business and Financial Plan and 2004 Business and Financial Plan.

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

We have audited the Schedule of Actual Time Employees Spend on Tasks for the year ended March 31, 2003, which is prepared in accordance with the principles set out in the notes to the schedule of statistical information. This schedule of statistical information is the responsibility of the Office of the Provincial Auditor. Our responsibility is to express an opinion on this information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the statistical information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statistical information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statistical information.

In our opinion, this schedule presents fairly, in all material respects, the actual time employees spend on tasks for the year ended March 31, 2003, in accordance with the accounting principles set out in the notes to the schedule of statistical information.

May 15, 2003
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

Office of the Provincial Auditor
Schedule of Actual Time Employees Spend on Tasks
for the Period April 1, 2000 to March 31, 2003

	Actual			Planned	
Employee time	**2001**	**2002**	**2003**	**2003**	**2004**
Working hours	84%	85%	86%	85%	85%
Vacation leave and statutory holidays	13%	13%	12% [1]	13%	13%
Sick leave	3% [2]	2%	2%	2%	2%
Total paid hours	100%	100%	100%	100%	100%
Working hours tasks					
Audits	63%	65% [3]	66%	66%	66%
Support services	14%	14%	13% [4]	11% [4]	12%
Office administration	15%	14%	14%	15%	13% [5]
Training	8%	7% [3]	7%	8%	9%
Total work hours	100%	100%	100%	100%	100%
Total full time equivalent positions	58	55	58	59	57

(see accompanying notes)

In Part II of our discussion and analysis, on pages 64 and 65, we discuss footnotes (1) to (5).

Office of the Provincial Auditor
Notes to the Schedule of Actual Time Employees Spend on Tasks
for the Year Ended March 31, 2003

1. Purpose

This schedule shows employee tasks and the percentage of time that employees spent on these tasks. The schedule shows actual percentages for the years ended March 31, 2001 to March 31, 2003. The schedule also shows planned percentages for these tasks for the years ended March 31, 2003 and 2004.

2. Definitions

Working hours – This is the time available after deducting vacation leave, statutory holidays, and sick leave.

Vacation leave and statutory holidays – Employees receive paid vacation leave. Leave is based on years of service. Employees also receive 11 paid statutory holidays.

Sick leave – Employees receive paid sick leave. The amount of paid leave is based on years of service.

Total paid hours – This is the total of working hours, vacation leave and statutory holidays, and sick leave. Employees must account for a minimum of 1950 total paid hours per year to receive full pay.

Audit hours – This is the time employees spend on the audits set out in the Detailed Work Plan on pages 54 and 55. Audit hours does not include the time spent on support services, office administration, and training.

Support services – This is the time employees spend on accounting, computer maintenance and support, and other administrative support.

Office administration – This is time employees spend on human resource activities, internal committees and working groups, office-wide and group planning activities, and time that does not fall within any other working hours task category.

Training – This is time employees spend on staff development courses and seminars. The time includes both employee attendance time and instructor time when our employees instruct our internal courses.

Full-time equivalent positions – This represents the total paid months divided by twelve months.

3. Time Allocation Policies

Employees are required to record on time sheets actual time spent on each task to the nearest quarter hour. The employees' supervisors approve the employees' time sheets. The Office records the time shown on the time sheets. The Office uses the information derived from the time sheets to pay employees and to monitor employees' performance. The Office also uses this information to determine the actual costs to audit government agencies.

4. Planned Time

The percentages of planned time for 2003 set out in the Schedule are those presented to the Standing Committee on Public Accounts in the Office's *2003 Business and Financial Plan.* The percentages of planned time for 2004 set out in the Schedule are those presented to the Standing Committee on Public Accounts in the Office's *2004 Business and Financial Plan.*

Discussion and Analysis

Part I – Schedule of Actual Costs to Audit Government Agencies

Explanation of differences between actual costs and planned costs more than $40,000.

1. *Department of Finance* – To complete all of our work would cost a further $40,000. As a result, our 2003 actual costs are approximately $17,000 less than planned.

2. *Department of Health* – To complete all of our work would cost a further $31,000. As a result, our 2003 actual costs are approximately $28,000 less than planned.

3. *Department of Post-Secondary Education and Skills Training* – To complete all of our work would cost a further $90,000. As a result, our 2003 actual costs are approximately $5,000 more than planned.

4. *Information Services Corporation of Saskatchewan* – Our actual costs are approximately $75,000 more than planned. We spent additional time dealing with some unanticipated accounting and auditing issues. This increased our costs by approximately $13,500. Also, in December 2001, the Standing Committee on Crown Corporations (CCC) asked our Office to amend ISC's audit plan for the year ended December 31, 2001 to provide reports to CCC on the costs, financing, and benefits of the new land titles system. This increased our costs by approximately $61,000.

5. *Saskatchewan Government Insurance Corporation* – To complete all of our work would cost a further $48,000. As a result, our 2003 actual costs are approximately $2,000 less than planned.

6. *Saskatchewan Power Corporation* – To complete all of our work would cost a further $3,000. As a result, our 2003 actual costs are approximately $50,000 more than planned. For 2003, we planned to examine SaskPower's processes to measure and report on the benefits achieved through the use of a new information system. When we began the audit, we realized that the project was more

complex than expected. Therefore, we expanded the scope of our audit to include an examination of SaskPower's change management practices.

7. *Government-Wide, Sectoral, and Special Issue Work* – To complete all of our work would cost a further $184,000. As a result, our 2003 actual costs are approximately $87,000 more than planned. Our costs increased mainly due to work required to assess the controls of the new central financial management system of government. This work increased our costs by $73,000 and was not included in our 2003 planned costs.

8. *Legislative Committees and Annual Reports* – Our actual costs are approximately $42,000 more than planned. In November 2001, the Standing Committee on Public Accounts (PAC) considered our recommendation that the Government publish a financial plan for the entire Government. PAC agreed to defer its decision until it received a presentation from our Office and the Department of Finance on how other governments had approached this issue. This information is in our 2002 Fall Report – Volume 1. This work increased our costs by $48,000 and was not included in our 2003 planned costs. Also, the Standing Committee on Crown Corporations (CCC) requested our office and Crown Investments Corporation of Saskatchewan (CIC) to review how the Provincial Auditor's recommended process for disclosing payee information should apply to CIC Crown corporations and their related entities. This report was tabled in February 2003. This work increased our costs by $29,000 and was not included in our 2003 planned costs. In addition, the actual costs for work related to producing our annual reports were approximately $33,000 less than planned.

Part II Schedule of Actual Time Employees Spend on Tasks

Explanations of statistical differences in the use of employee time.

1. Our vacation leave and statutory holidays are similar to those provided to employees in the public service. 2003 reflects one less statutory holiday (Easter) for the period.

2. In 2001, one employee had a lengthy illness.

3. Time spent on audits increased during 2002 in order to advance our work to meet the new *Tabling of Documents Act, 1991* deadlines. As a result, we did not carry out part of our annual management training program as originally planned for 2002.

4. In 2003, some support staff hours were originally planned for audit work. However, due to changing office priorities, these staff provided less time to audit work when they were assigned to projects related to improving our internal management information systems.

5. In 2004, we are allocating less time to office administration as our strategic planning process for the next four years was completed in 2003.

Inspection Report

Chartered
Accountants
of Saskatchewan

The Institute of Chartered
Accountants of Saskatchewan
830 - 1801 Hamilton Street
Regina, Saskatchewan
S4P 4B4
Tel: (306) 359-1010
Fax: (306) 569-8288

PRIVATE & CONFIDENTIAL

Provincial Auditor
1500 1920 Broad Street
REGINA SK S4P 3V7

June 8, 1999

PRACTICE INSPECTION – FILE #2408

This is to advise that there were no reportable findings from the recently completed inspection of your office.

My report on the results of the inspection will be reviewed by the Practice Appraisal Committee at their next meeting. A final report will be sent to you after it has been considered by the Committee.

I thank you for the courtesy and consideration extended during the visit.

Sincerely,

Gary Erickson, CA
Director of Professional Standards

GE/ms

Enclosure

Chartered
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PRIVATE & CONFIDENTIAL

Provincial Auditor
1500 1920 Broad Street
REGINA SK S4P 3V7

June 17, 1999

PRACTICE INSPECTION FILE #2408

At their meeting of June 16, 1999, the Practice Appraisal Committee reviewed the file relating to the inspection of your firm which was completed earlier.

The Committee asked me to advise that it has no additional comments to add.

Once again, I thank you for the courtesy and co-operation extended during my visit.

G. S. Erickson, CA
Director of Professional Standards

GSE/mls

Enclosure

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have examined the system of internal control of the Office of the Provincial Auditor in effect as at March 31, 2003. We did not examine certain aspects of internal control concerning the effectiveness, economy, and efficiency of certain management decision-making processes. The criteria for the examination of this system of internal control consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

Our examination was conducted in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an examination to obtain reasonable assurance whether the system of internal control established and maintained by management is sufficient to meet the control objectives referred to below. Such an examination includes obtaining an understanding of the system of internal control and performing tests of controls to determine whether the internal controls exist and operate effectively.

The management of the Office of the Provincial Auditor is responsible for establishing and maintaining a system of internal control to achieve the control objectives noted in a) to d) below. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that:

a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;

b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

In our opinion, based upon the above criteria, the system of internal control of the Office of the Provincial Auditor in effect as at March 31, 2003, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or fraud in amounts that would be material in relation to the Office of the Provincial Auditor.

May 15, 2003
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have made an examination to determine whether the Office of the Provincial Auditor complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended March 31, 2003:

The Provincial Auditor Act

Our examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the Office of the Provincial Auditor has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended March 31, 2003.

May 15, 2003
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

Re: Audit of the Office of the Provincial Auditor for the year ended March 31, 2003

We have completed the above noted audit and have issued our reports on the financial statements, internal controls and legislative compliance dated May 15, 2003.

In accordance with *The Provincial Auditor Act*, our responsibilities to report to the members of the legislative assembly also appear to include:

> **To report matters that, in our judgement, are significant** (exceptions/deficiencies), if any, which may impact the annual financial statements and related controls.

This report is based only on matters assessed and relied upon for purposes of our audit opinions on the office's financial statements, internal controls and legislative compliance. This form of report is referred to as a derivative report, i.e. it is derived from the process, procedures, and findings related to the audit.

Based on the above noted reporting requirements, we provide the following observations:

Organization Level Control

No reportable matters identified.

System Level Control

No reportable matters identified.

Financial Statement Presentation and Disclosure

No reportable matters identified.

Other Matters

No reportable matters identified.

Detailed findings (exceptions/deficiencies) and observations with respect to internal controls, and/or financial statement presentation and disclosure are discussed with the Office's management during the course of and completion of our work.

May 15, 2003
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

Additional Supplementary Information

Employee Earnings

List of employees earning $2,500 or more and their earnings for the year ended March 31, 2003.

Ahmad, Mobashar	$105,151	Kress, Jeffrey J.	72,839
Anderson, Mark T.	79,462	Kuntz, Linda A.	22,161
Atkinson, Brian R.	118,439	Lacey, Shana A. M.	32,644
Bachelu, Gaylene K.	19,827	Lahti, Johan J.	47,360
Baronowsky, Tricia A.	14,932	Lees, Trina C.	34,001
Beblow, Jolene T.	17,567	L'Heureux, Desirée L.	5,294
Boechler, Danielle B.	25,068	Lindenbach, Michelle D.	8,219
Borys, Angèle M.	89,333	Lowe, Kimberley I.	47,127
Brezinski, Curtis T.	34,070	Martens, G. Andrew	89,640
Burrows, Jamie A.	60,457	Montgomery, Edward	104,901
Calder, Chantara L.	28,673	Nyhus, Glen D.	92,790
Clemett, Tara L.	64,560	Oldershaw, Mark J.	56,436
Creaser, Philip M.	93,006	Orrange, Loyd	20,392
DeCorby, Michelle M.	31,837	Ottenbreit, Stacey A.	29,599
Deis, Kelly W.	85,098	Paul, Charlene A.	56,599
Dickin, Deann J.	48,405	Paul, Kent W.	49,400
Duran, Jason S.	60,004	Rybchuk, Corrine P.	50,423
Duran, Joel K.	38,201	Schell, Doug H.	6,562
Federspiel, Angela K.	29,395	Schiller, Rita L.	26,214
Ferguson, Judy D.	101,208	Schwab, Amy P.	41,497
Fysh, Cindy M.	56,348	Schwab, Victor A.	84,468
Grabarczyk, Roderick A.	92,790	Shorten, Karen E.	33,619
Harasymchuk, William W.	79,462	Sommerfeld, E. Regan	56,429
Hartley, Tyron R.	6,562	Szaroz, Jennifer J.	49,400
Heebner, Melanie J.	5,294	Thomson, Nathan K.	25,068
Heffernan, Michael A.	105,151	Tomlin, Heather D.	48,900
Huard, Brenda M.	30,044	Volk, Rosemarie M.	94,518
Hungle, Angie D.	39,646	Walker, Sandra J.	63,779
Jersak, Rodd S.	89,333	Wandy, Jason M.	8,114
Kirchner, Carolyn	69,621	Watkins, Dawn L.	33,619
Klein, Robin L.M.	25,068	Wendel, G. Fred	129,974
Knox, L. Jane	93,006	Wendel, Leslie E.	88,391
		Wilde, Brett D.	5,294
		Payees under $2,500	1,180
		Decrease in accrued vacation leave payable and recoveries	(43,489)
			$3,410,380

Suppliers

List of persons or organizations that provided goods and services to the Office of the Provincial Auditor for $20,000 or more for the year ended March 31, 2003.

CA School of Business	$ 27,763
CCAF-FCVI	21,533
Dell Financial Services Canada	58,716
Deloitte & Touche LLP (Regina)	52,506
Envision Group	24,067
Hewlett-Packard (Canada) Ltd.	22,685
Houghton Boston Printers	29,787
Institute of Chartered Accountants of Saskatchewan	31,874
KPMG LLP (Regina)	40,028
Kumaran Systems Inc.	25,596
Manpower	26,621
Merchant Law Group	54,060
Oracle Corporation Canada	34,090
S & U Homes	317,914
Saskatchewan Property Management Corporation	21,220
Saskatchewan Telecommunications	28,316
Softchoice Corporation	20,118
Virtus Group, Chartered Accountants and Business Advisors LLP	80,058
	916,952
Suppliers under $20,000	316,877
	$ 1,233,829

Other Expenditures

List of statutory expenditures of the Office of the Provincial Auditor for $20,000 or more for the year ended March 31, 2003.

Public Employees Dental Plan	$ 43,191
Public Employees Disability Plan	34,161
Public Employees Pension Plan	192,078
Receiver General for Canada - Canada Pension Plan	93,284
Receiver General for Canada - Employment Insurance	58,341
Saskatchewan Blue Cross	35,229
Workers' Compensation Board	35,228
	491,512
Other expenditures under $20,000	4,375
	$ 495,887